

NORTH POLK COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2020**

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**North Polk Community School District
Board of Education and School District Officials
Year Ended June 30, 2020**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------|----------------|---------------------|
| Dave Potter | President | 2023 |
| Keith Bormann | Vice President | 2021 |
| Travis Davis | Board Member | 2023 |
| Joe Heintz | Board Member | 2023 |
| James Hill | Board Member | 2021 |

School District Officials

| | | |
|-----------------------|------------------|------|
| Dan Mart | Superintendent | 2020 |
| Sarah Aspengren | Board Secretary | 2020 |
| Calli Boeckmann | Business Manager | 2020 |
| Ahlers and Cooney, PC | Attorney | 2020 |



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
North Polk Community School District
Alleman, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Polk Community School District, Alleman, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the North Polk Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 12 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Polk Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2017 and we audited the financial statements for the two years ended June 30, 2019, (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the North Polk Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Polk Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 1, 2020

The North Polk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,452,316 in fiscal 2019 to \$18,453,249 in fiscal 2020, while General Fund expenditures increased from \$18,149,076 in fiscal 2019 to \$19,481,543 in fiscal 2020. The District's General Fund balance decreased from \$4,304,660 in fiscal 2019 to \$3,276,366 in fiscal 2020, a 24% decrease.
- The increase in General Fund revenues was attributable primarily to increases in state aid revenues in fiscal 2020. The increase in state grant revenue is attributable to an increase in budget enrollment. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving sixty-three additional students.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Polk Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Polk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Polk Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

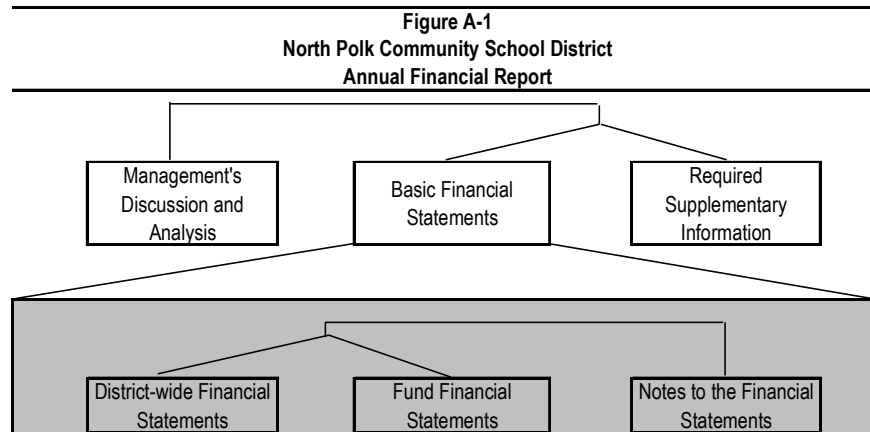


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-Wide and Fund Financial Statements | | | | |
|---|---|--|--|--|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required Financial Statements | * Statement of net position * Statement of activities | * Balance sheet * Statement of revenues, expenditures, and changes in fund balances | * Statement of net position * Statement of revenues, expenses and changes in fund net position * Statement of cash flows | * Statement of fiduciary Net Position * Statement of changes in fiduciary Net Position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both financial and capital, and short-term and long-term: funds do not currently contain capital assets, although they can |
| Type of deferred outflow / inflow information | Consumption / acquisition of net position that is applicable to a future reporting period | Consumption / acquisition of fund balance that is applicable to a future reporting period | Consumption / acquisition of net position that is applicable to a future reporting period | Consumption / acquisition of net position that is applicable to a future reporting period |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund includes Private-Purpose Trust (scholarship) Fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--|----------------------------|---------|-----------------------------|------|-------------------|---------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2019-2020 |
| Current and other assets | \$ 20,009 | 21,469 | 479 | 492 | 20,488 | 21,961 | -6.7% |
| Capital assets | 42,363 | 44,337 | 459 | 325 | 42,822 | 44,662 | -4.1% |
| Total assets | 62,372 | 65,806 | 938 | 817 | 63,310 | 66,623 | -5.0% |
| Deferred outflows of resources | 3,491 | 4,186 | 103 | 129 | 3,594 | 4,315 | -16.7% |
| Long-term liabilities | 28,637 | 32,776 | 273 | 267 | 28,910 | 33,043 | -12.5% |
| Other liabilities | 2,352 | 1,901 | 59 | 22 | 2,411 | 1,923 | 25.4% |
| Total liabilities | 30,989 | 34,677 | 332 | 289 | 31,321 | 34,966 | -10.4% |
| Deferred inflows of resources | 10,996 | 10,615 | 49 | 59 | 11,045 | 10,674 | 3.5% |
| Net position: | | | | | | | |
| Invested in capital assets, net of related debt | 22,881 | 20,422 | 459 | 325 | 23,340 | 20,747 | 12.5% |
| Restricted | 5,122 | 7,078 | - | - | 5,122 | 7,078 | -27.6% |
| Unrestricted | (4,126) | (2,800) | 201 | 273 | (3,925) | (2,527) | 55.3% |
| Total net position | \$ 23,877 | 24,700 | 660 | 598 | 24,537 | 25,298 | -3.0% |

The District's combined net position decreased by nearly 3.0%, or approximately \$760,926 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

**North Polk Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$1,956,000 or -27.6% from the prior year. Figure A-3.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$1,398,000 or 55.3%. This increase in unrestricted net position was primarily a result of the newly implemented GASB 75, which defines OPEB liability.

Figure A-4 shows the change in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

| Figure A-4 Changes in Net Position (Expressed in Thousands) | | | | | | | |
|--|------------------------------------|-------------|-------------------------------------|-------------|----------------------------|-------------|-------------------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | Year ended June 30, | | Year ended June 30, | | Year ended June 30, | | June 30, |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2019-2020 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 1,185 | 1,276 | 568 | 716 | 1,753 | 1,992 | -12.0% |
| Operating grants, contributions and restricted interest | 3,186 | 3,106 | 262 | 261 | 3,448 | 3,367 | 2.4% |
| General revenues: | | | | | | | |
| Property tax | 8,667 | 8,162 | - | - | 8,667 | 8,162 | 6.2% |
| Income sur tax | 144 | 127 | - | - | 144 | 127 | 13.4% |
| Statewide sales, service and use tax | 1,789 | 1,720 | - | - | 1,789 | 1,720 | 4.0% |
| Unrestricted state grants | 8,775 | 8,198 | - | - | 8,775 | 8,198 | 7.0% |
| Unrestricted investment earnings | 179 | 160 | 5 | 5 | 184 | 165 | 11.5% |
| Other | 254 | 307 | 186 | - | 440 | 307 | 43.3% |
| Total revenues | 24,179 | 23,056 | 1,021 | 982 | 25,200 | 24,038 | 4.8% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 13,430 | 12,360 | - | - | 13,430 | 12,360 | 8.7% |
| Support services | 7,651 | 7,049 | - | - | 7,651 | 7,049 | 8.5% |
| Non-instructional programs | - | - | 959 | 923 | 959 | 923 | 3.9% |
| Other expenses | 3,921 | 3,300 | - | - | 3,921 | 3,300 | 18.8% |
| Total expenses | 25,002 | 22,709 | 959 | 923 | 25,961 | 23,632 | 9.9% |
| Change in net position | (823) | 347 | 62 | 59 | (761) | 406 | -287.4% |
| Net position beginning of year | 24,700 | 24,353 | 598 | 539 | 25,298 | 24,892 | 1.6% |
| Net position end of year | \$ 23,877 | 24,700 | 660 | 598 | 24,537 | 25,298 | -3.0% |

In fiscal 2020, property tax and unrestricted state grants account for 72% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.5% of the revenue from business type activities. Figure A-4.

As shown in Figure A-4 the District, as a whole, experienced a 4.8% increase in revenues and a 9.9% increase in expenses. The increase in expenses relates to costs associated with negotiated salaries and benefits and additional staff and materials required to provide educational services to additional students.

Governmental Activities

Revenues for governmental activities were \$24,179,313 and expenses were \$25,002,373.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

| Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands) | | | | | | |
|---|------------------------|--------|---------------------|----------------------|--------|---------------------|
| | Total Cost of Services | | Change 2019-2020 | Net Cost of Services | | Change 2019-2020 |
| | 2020 | 2019 | | 2020 | 2019 | |
| Instruction | \$ 13,430 | 12,360 | 8.7% | \$ 9,829 | 8,719 | 12.7% |
| Support services | 7,651 | 7,049 | 8.5% | 7,637 | 7,022 | 8.8% |
| Non-instructional programs | - | - | - | - | - | - |
| Other expenses | 3,921 | 3,300 | 18.8% | 3,165 | 2,587 | 22.3% |
| Totals | \$ 25,002 | 22,709 | 10.1% | \$ 20,631 | 18,328 | 12.6% |

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was approximately \$1,753,500.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,448,465.
- The net cost of governmental activities was financed with \$10,600,000 in property and other taxes, \$8,775,404 in unrestricted state grants and \$623,175 in other unrestricted sources. Exhibit B.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2020 were \$1,021,000 representing a 4% increase over the prior year, while expenses totaled \$959,085 a 4 % increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Polk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,261,735 down from last year's ending fund balances of \$10,937,553. The decrease is reflected primarily in the Capital Projects Fund and adding more staff due to a growing district.

Governmental Fund Highlights

- The General Fund balance decreased from \$4,304,660 to \$3,276,366 due primarily to the increase in staff, raises, and a growing district.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from a balance of \$221,363 in fiscal 2019 to a balance of \$150,210 in fiscal 2020.
- The Capital Projects Fund balance decreased from \$3,628,334 in fiscal 2019 to \$2,807,158 in fiscal 2020.
- The Debt Service Fund balance decreased from \$1,015,524 in 2019 to \$103,000 in 2020

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$598,250 at June 30, 2019 to \$660,384 at June 30, 2020, representing an increase of approximately 10%. The increase was primarily due to increases in participation.

BUDGETARY HIGHLIGHTS

The District's receipts were \$9,928 higher than budgeted, a variance of 1%. The most significant variance resulted from the District receiving less in state funding than budgeted.

Total expenditures were \$1,320,276 less than budgeted, a variance of 3%, due primarily to the District's budget for the instruction and support services.

It is the District's practice to budget revenues conservatively and expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020 the District had invested \$42.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$2,022,408.

The original cost of the District's capital assets was approximately \$59,997,972. Governmental funds account for approximately \$59,147,544, with the remainder of approximately \$850,428 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$0 at June 30, 2020, compared to \$8,212,163 at June 30, 2019.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|-----------------------------------|----------------------------|--------|-----------------------------|------|-------------------|--------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2019-2020 |
| Land | \$ 932 | 932 | - | - | 932 | 932 | 0.0% |
| Construction in progress | - | 8,212 | - | - | - | 8,212 | -100.0% |
| Buildings | 36,987 | 30,259 | - | - | 36,987 | 30,259 | 22.2% |
| Improvements other than buildings | 3,749 | 3,962 | - | - | 3,749 | 3,962 | -5.4% |
| Furniture and equipment | 695 | 972 | 459 | 325 | 1,154 | 1,297 | -11.0% |
| Totals | \$ 42,363 | 44,337 | 459 | 325 | 42,822 | 44,662 | -4.1% |

Long-Term Debt

At June 30, 2020, the District had \$28,637,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 13.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

| Figure A-7 | | | |
|--|----------------|--------|-----------|
| Outstanding Long-Term Obligations | | | |
| (Expressed in Thousands) | | | |
| | Total District | | Change |
| | June 30, | | June 30, |
| | 2020 | 2019 | 2019-2020 |
| General obligation bonds | \$ 12,120 | 15,325 | -20.9% |
| Revenue bonds | 5,205 | 7,370 | -29.4% |
| Notes | 820 | 1,220 | -32.8% |
| Bond premiums | 1,401 | - | #DIV/0! |
| Bond discounts | (64) | - | #DIV/0! |
| Early retirement | 160 | 287 | -44.3% |
| Net pension liability | 8,260 | 8,544 | -3.3% |
| Net OPEB liability | 735 | 298 | 146.6% |
| Totals | \$ 28,637 | 33,044 | -13.3% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Budget enrollment increased by sixty-three additional students between the 2019-2020 certified enrollment dates. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries.
- Construction of the High School addition and the New Elementary Building are expected to start in Fall of 2020.
- The District negotiated a one-year contract agreement with the North Polk Education Association ending with the 2019-20 school year. The school year (2019-20) equates to a 4.71% total package.
- The District refinance GO Bond Series 2011 saving \$717,902 (12.44% net present value savings) and the SAVE Bond Series 2012 – saving \$333,751 (4.90% net present value savings)
- The District and the North Polk Education Association will negotiate future contracts based on the new Chapter 20 law.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Calli Landenberger, District Secretary/Treasurer and Business Manager, North Polk Community School District, Alleman, Iowa, 50007.

Basic Financial Statements

North Polk Community School District
Statement of Net Position
June 30, 2020

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 10,123,687 | 457,386 | 10,581,073 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 54,333 | - | 54,333 |
| Succeeding year | 9,344,140 | - | 9,344,140 |
| Income surtax | 127,418 | - | 127,418 |
| Accounts | 197,269 | - | 197,269 |
| Due from other governments | 150,802 | - | 150,802 |
| Inventories | - | 22,031 | 22,031 |
| Prepays | 11,250 | - | 11,250 |
| Capital assets, net of accumulated depreciation | 42,362,937 | 458,960 | 42,821,897 |
| Total assets | 62,371,836 | 938,377 | 63,310,213 |
| Deferred Outflows of Resources | | | |
| OPEB related deferred outflows | 379,116 | 5,924 | 385,040 |
| Pension related deferred outflows | 3,111,987 | 96,677 | 3,208,664 |
| Total deferred outflows of resources | 3,491,103 | 102,601 | 3,593,704 |
| Liabilities | | | |
| Accounts payable | 522,043 | - | 522,043 |
| Salaries and benefits payable | 1,730,703 | 5,725 | 1,736,428 |
| Advances from prepaid lunches | - | 52,515 | 52,515 |
| Accrued interest payable | 99,283 | - | 99,283 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 1,139,273 | - | 1,139,273 |
| Revenue bonds | 567,370 | - | 567,370 |
| Notes payable | 405,000 | - | 405,000 |
| Early retirement | 30,823 | - | 30,823 |
| Portion due after one year: | | | |
| General obligation bonds | 11,739,189 | - | 11,739,189 |
| Revenue bonds | 5,216,592 | - | 5,216,592 |
| Notes payable | 415,000 | - | 415,000 |
| Early retirement | 129,741 | - | 129,741 |
| Net pension liability | 8,259,591 | 263,916 | 8,523,507 |
| Net OPEB liability | 734,819 | 9,699 | 744,518 |
| Total liabilities | 30,989,427 | 331,855 | 31,321,282 |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenue | 9,344,140 | - | 9,344,140 |
| Unavailable income surtax revenue | 127,418 | - | 127,418 |
| OPEB related deferred inflows | 27,212 | 425 | 27,637 |
| Pension related deferred inflows | 1,497,598 | 48,314 | 1,545,912 |
| Total Deferred Inflow of Resources | 10,996,368 | 48,739 | 11,045,107 |
| Net Position | | | |
| Net investment in capital assets | 22,880,513 | 458,960 | 23,339,473 |
| Restricted for: | | | |
| Categorical funding | 397,107 | - | 397,107 |
| Prepays | 11,250 | - | 11,250 |
| Debt service | 355,417 | - | 355,417 |
| Management levy purposes | 1,717,893 | - | 1,717,893 |
| Student activities | 196,754 | - | 196,754 |
| Physical plant and equipment | 150,210 | - | 150,210 |
| School infrastructure | 2,293,998 | - | 2,293,998 |
| Unrestricted | (4,125,998) | 201,424 | (3,924,574) |
| Total net position | \$ 23,877,144 | 660,384 | 24,537,528 |

See notes to financial statements.

North Polk Community School District
Statement of Activities
Year ended June 30, 2020

| | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | | |
|------------------------------------|----------------------|---------------------|---|---|--------------------------|---------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Functions/Programs | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | \$ 8,829,800 | 839,918 | 1,778,822 | (6,211,060) | - | (6,211,060) |
| Special instruction | 2,130,754 | 52,764 | 632,012 | (1,445,978) | - | (1,445,978) |
| Other instruction | 2,470,019 | 285,699 | 12,463 | (2,171,857) | - | (2,171,857) |
| | <u>13,430,573</u> | <u>1,178,381</u> | <u>2,423,297</u> | <u>(9,828,895)</u> | <u>-</u> | <u>(9,828,895)</u> |
| Support Services: | | | | | | |
| Student | 674,357 | - | - | (674,357) | - | (674,357) |
| Instructional staff | 1,134,038 | - | - | (1,134,038) | - | (1,134,038) |
| Administration | 2,403,701 | - | - | (2,403,701) | - | (2,403,701) |
| Operating and maintenance of plant | 2,351,542 | 6,171 | - | (2,345,371) | - | (2,345,371) |
| Transportation | 1,087,639 | 848 | 7,275 | (1,079,516) | - | (1,079,516) |
| | <u>7,651,277</u> | <u>7,019</u> | <u>7,275</u> | <u>(7,636,983)</u> | <u>-</u> | <u>(7,636,983)</u> |
| Non-instructional programs | - | - | - | - | - | - |
| Other expenditures: | | | | | | |
| Facilities acquisition | 554,875 | - | - | (554,875) | - | (554,875) |
| Long-term debt interest | 803,911 | - | - | (803,911) | - | (803,911) |
| AEA flowthrough | 755,452 | - | 755,452 | - | - | - |
| Depreciation (unallocated)* | 1,806,285 | - | - | (1,806,285) | - | (1,806,285) |
| | <u>3,920,523</u> | <u>-</u> | <u>755,452</u> | <u>(3,165,071)</u> | <u>-</u> | <u>(3,165,071)</u> |
| Total governmental activities | 25,002,373 | 1,185,400 | 3,186,024 | (20,630,949) | - | (20,630,949) |
| Business type activities: | | | | | | |
| Non-instructional programs: | | | | | | |
| Food service operations | 959,085 | 568,058 | 262,441 | - | (128,586) | (128,586) |
| | <u>959,085</u> | <u>568,058</u> | <u>262,441</u> | <u>-</u> | <u>(128,586)</u> | <u>(128,586)</u> |
| Total primary government | <u>\$ 25,961,458</u> | <u>1,753,458</u> | <u>3,448,465</u> | <u>(20,630,949)</u> | <u>(128,586)</u> | <u>(20,759,535)</u> |

Exhibit B

North Polk Community School District
Statement of Activities
Year ended June 30, 2020

| | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | | |
|---|------------------|---------------------|---|---|--------------------------|--------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Totals continued from previous pages | \$ 25,961,458 | 1,753,458 | 3,448,465 | (20,630,949) | (128,586) | (20,759,535) |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | 6,012,002 | - | 6,012,002 |
| Debt service | | | | 1,873,208 | - | 1,873,208 |
| Capital outlay | | | | 781,956 | - | 781,956 |
| Income surtax | | | | 143,876 | - | 143,876 |
| Statewide sales, services and use tax | | | | 1,788,988 | - | 1,788,988 |
| Unrestricted state grants | | | | 8,775,404 | - | 8,775,404 |
| Unrestricted investment earnings | | | | 178,776 | 4,353 | 183,129 |
| Other | | | | 181,966 | - | 181,966 |
| Contributions not restricted to specific programs | | | | 71,713 | 186,367 | 258,080 |
| Total general revenues | | | | 19,807,889 | 190,720 | 19,998,609 |
| Change in net position | | | | (823,060) | 62,134 | (760,926) |
| Net position beginning of year | | | | 24,700,204 | 598,250 | 25,298,454 |
| Net position end of year | | | | \$ 23,877,144 | 660,384 | 24,537,528 |

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit C

North Polk Community School District
Balance Sheet
Governmental Funds
June 30, 2020

| | General | Debt Service | Capital Projects | Non-major | Total |
|---|----------------------|------------------|---------------------|------------------|-------------------|
| Assets | | | | | |
| Cash, cash equivalents and pooled investments | \$ 5,209,753 | 93,982 | 2,738,701 | 2,058,391 | 10,100,827 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 32,704 | 12,018 | 4,955 | 4,656 | 54,333 |
| Succeeding year | 5,717,715 | 2,123,138 | 875,466 | 627,821 | 9,344,140 |
| Income surtax | 127,418 | - | - | - | 127,418 |
| Accounts | 182,989 | - | - | 14,280 | 197,269 |
| Due from other governments | - | - | 150,802 | - | 150,802 |
| Prepays | - | - | 11,250 | - | 11,250 |
| Total assets | \$ 11,270,579 | 2,229,138 | 3,781,174 | 2,705,148 | 19,986,039 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 418,377 | 3,000 | 98,550 | 2,116 | 522,043 |
| Salaries and benefits payable | 1,730,703 | - | - | - | 1,730,703 |
| Total liabilities | 2,149,080 | 3,000 | 98,550 | 2,116 | 2,252,746 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 5,717,715 | 2,123,138 | 875,466 | 627,821 | 9,344,140 |
| Income surtax | 127,418 | - | - | - | 127,418 |
| Total deferred inflows of resources | 5,845,133 | 2,123,138 | 875,466 | 627,821 | 9,471,558 |
| Fund balances: | | | | | |
| Nonspendable for: | | | | | |
| Prepays | - | - | 11,250 | - | 11,250 |
| Restricted for: | | | | | |
| Categorical funding | 397,107 | - | - | - | 397,107 |
| Debt service | - | 103,000 | 351,700 | - | 454,700 |
| Management levy purposes | - | - | - | 1,878,457 | 1,878,457 |
| Student activities | - | - | - | 196,754 | 196,754 |
| School infrastructure | - | - | 2,293,998 | - | 2,293,998 |
| Physical plant and equipment | - | - | 150,210 | - | 150,210 |
| Assigned | 105,643 | - | - | - | 105,643 |
| Unassigned | 2,773,616 | - | - | - | 2,773,616 |
| Total fund balances | 3,276,366 | 103,000 | 2,807,158 | 2,075,211 | 8,261,735 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 11,270,579 | 2,229,138 | 3,781,174 | 2,705,148 | 19,986,039 |

See notes to financial statements.

Exhibit D

North Polk Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances of governmental funds (Exhibit C) **\$ 8,261,735**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 42,362,937

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 22,860

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (99,283)

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

| | | |
|--------------------------------|--------------|-----------|
| Deferred outflows of resources | \$ 3,491,103 | |
| Deferred inflows of resources | (1,524,810) | 1,966,293 |
| | | |

Long-term liabilities, including bonds payable, early retirement, net pension liability and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

| | | |
|----------------------------------|--------------|--------------|
| General obligation bonds payable | (12,878,462) | |
| Revenue bonds payable | (5,783,962) | |
| Notes payable | (820,000) | |
| Early retirement | (160,564) | |
| Net pension liability | (8,259,591) | |
| Other postemployment benefits | (734,819) | (28,637,398) |
| | | |

Net position of governmental activities (Exhibit A) **\$ 23,877,144**

See notes to financial statements.

Exhibit E

North Polk Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

| | General | Debt Service | Capital Projects | Non-major | Total |
|---|--------------|-----------------|---------------------|-----------|--------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 5,328,299 | 1,937,846 | 808,578 | 736,319 | 8,811,042 |
| Tuition | 825,863 | - | - | - | 825,863 |
| Other | 337,659 | 41,148 | 71,799 | 341,386 | 791,992 |
| Intermediate Sources | 7,457 | - | - | - | 7,457 |
| State sources | 11,695,660 | - | 1,788,988 | - | 13,484,648 |
| Federal sources | 258,311 | - | - | - | 258,311 |
| Total revenues | 18,453,249 | 1,978,994 | 2,669,365 | 1,077,705 | 24,179,313 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 8,185,987 | - | 15,197 | 263,276 | 8,464,460 |
| Special | 2,074,403 | - | - | - | 2,074,403 |
| Other | 2,143,601 | - | - | 307,304 | 2,450,905 |
| | 12,403,991 | - | 15,197 | 570,580 | 12,989,768 |
| Support services: | | | | | |
| Student | 651,746 | - | - | - | 651,746 |
| Instructional staff | 696,104 | - | 371,498 | 3,402 | 1,071,004 |
| Administration | 2,226,413 | 21,107 | 127,247 | 123,575 | 2,498,342 |
| Operation and maintenance of plant | 1,883,470 | - | 80,655 | 264,821 | 2,228,946 |
| Transportation | 864,367 | - | 115,281 | 25,952 | 1,005,600 |
| | 6,322,100 | 21,107 | 694,681 | 417,750 | 7,455,638 |
| Non-instructional programs | - | - | - | - | - |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 539,465 | - | 539,465 |
| Long-term debt: | | | | | |
| Principal | - | 16,565,000 | - | - | 16,565,000 |
| Interest, fiscal and other charges | - | 835,677 | - | 3,199 | 838,876 |
| AEA flowthrough | 755,452 | - | - | - | 755,452 |
| | 755,452 | 17,400,677 | 539,465 | 3,199 | 18,698,793 |
| Total expenditures | 19,481,543 | 17,421,784 | 1,249,343 | 991,529 | 39,144,199 |
| Excess (deficiency) of revenues over (under) expenditures | (1,028,294) | (15,442,790) | 1,420,022 | 86,176 | (14,964,886) |
| Other financing sources (uses): | | | | | |
| Debt issued | - | 4,980,000 | 5,815,000 | - | 10,795,000 |
| Premiums on issuance of debt | - | 883,854 | 681,862 | - | 1,565,716 |
| Discounts on issuance of debt | - | (41,119) | (30,529) | - | (71,648) |
| Transfers in (out) | - | 8,707,531 | (8,707,531) | - | - |
| Total other financing sources (uses) | - | 14,530,266 | (2,241,198) | - | 12,289,068 |
| Change in fund balances | (1,028,294) | (912,524) | (821,176) | 86,176 | (2,675,818) |
| Fund balances beginning of year | 4,304,660 | 1,015,524 | 3,628,334 | 1,989,035 | 10,937,553 |
| Fund balances end of year | \$ 3,276,366 | 103,000 | 2,807,158 | 2,075,211 | 8,261,735 |

See notes to financial statements.

North Polk Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2020

Net change in fund balances - total governmental funds (Exhibit E) **\$ (2,675,818)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|-----------------------------|--------------------|-------------|
| Capital outlays | | |
| From facilities acquisition | \$ 1,298,802 | |
| From facilities disposition | \$ (1,314,212) | |
| Depreciation expense | <u>(1,958,580)</u> | (1,973,990) |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

| | | |
|---|----------------|-----------|
| Issuance of bonds and leases | (12,289,067) | |
| Repayments of bond and note principal | 16,565,000 | |
| Amortization of bond premiums and discounts | <u>156,643</u> | 4,432,576 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

34,964

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

1,116,753

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|--------------------|-------------|
| Other postemployment benefits | (72,173) | |
| Early retirement | 126,249 | |
| Pension expense | <u>(1,812,502)</u> | (1,758,426) |

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in Net Position of the Internal Service Fund is reported with governmental activities.

881

Change in net position of governmental activities (Exhibit B) **\$ (823,060)**

See notes to financial statements.

North Polk Community School District
Statement of Net Position
Proprietary Fund
June 30, 2020

| | Business Type Activities | Governmental Activities |
|---|---|----------------------------|
| | Non-major Enterprise Fund Nutrition | Internal Service Fund |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 457,386 | 22,860 |
| Inventories | 22,031 | - |
| Total current assets | 479,417 | 22,860 |
| Non-current assets: | | |
| Property and equipment: | | |
| Machinery and equipment | 850,429 | - |
| Accumulated depreciation | (391,469) | - |
| Total non-current assets | 458,960 | - |
| Total assets | 938,377 | 22,860 |
| Deferred Outflows of Resources | | |
| OPEB related deferred outflows | 5,924 | - |
| Pension related deferred outflows | 96,677 | - |
| Total deferred outflows of resources | 102,601 | - |
| Liabilities | | |
| Current liabilities: | | |
| Salaries and benefits payable | 5,725 | - |
| Advances from prepaid lunches | 52,515 | - |
| Total current liabilities | 58,240 | - |
| Noncurrent liabilities: | | |
| Net pension liability | 263,916 | - |
| Net OPEB liability | 9,699 | - |
| Total noncurrent liabilities | 273,615 | - |
| Total liabilities | 331,855 | - |
| Deferred Inflows of Resources | | |
| OPEB related deferred inflows | 425 | - |
| Pension related deferred inflows | 48,314 | - |
| Total deferred inflows | 48,739 | - |
| Net Position | | |
| Net investment in capital assets | 458,960 | - |
| Restricted for: | | |
| Flexible benefits | - | 22,860 |
| Unrestricted | 201,424 | - |
| Total net position | \$ 660,384 | 22,860 |

See notes to financial statements.

Exhibit H

North Polk Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2020

| | Business Type Activities | Governmental Activities |
|---|---|----------------------------|
| | Non-major Enterprise Fund Nutrition | Internal Service Fund |
| Operating revenue: | | |
| Local sources: | | |
| Charges for services | \$ 568,058 | 113,317 |
| Operating expenses: | | |
| Non-instructional programs: | | |
| Food service operations: | | |
| Salaries | 404,342 | - |
| Benefits | 106,636 | 113,369 |
| Supplies | 380,099 | - |
| Depreciation | 63,828 | - |
| Other | 4,180 | - |
| Total operating expenses | 959,085 | 113,369 |
| Operating gain (loss) | (391,027) | (52) |
| Non-operating revenue: | | |
| Interest income | 4,353 | 933 |
| State sources | 7,088 | - |
| Federal sources | 255,353 | - |
| Total non-operating revenue | 266,794 | 933 |
| Income (loss) before other sources (uses) | (124,233) | 881 |
| Other sources (uses) | | |
| Capital contributions | 186,367 | - |
| Total other sources (uses) | 186,367 | |
| Change in net position | 62,134 | 881 |
| Net position beginning of year | 598,250 | 21,979 |
| Net position end of year | \$ 660,384 | 22,860 |

See notes to financial statements.

North Polk Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2020

| | Business Type Activities | Governmental Activities |
|---|----------------------------------|----------------------------|
| | Non-major Enterprise Funds | Internal Service Fund |
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 601,110 | - |
| Cash received from community services | - | 113,317 |
| Cash payments to employees for services | (482,093) | (113,369) |
| Cash payments to suppliers for goods or services | (322,680) | - |
| Net cash provided (used) by operating activities | (203,663) | (52) |
| Cash flows from non-capital financing activities: | | |
| State grants received | 7,088 | - |
| Federal grants received | 185,356 | - |
| Net cash provided by non-capital financing activities | 192,444 | - |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | (11,890) | - |
| Net cash used by capital and related financing activities | (11,890) | - |
| Cash flows from investing activities: | | |
| Interest on investments | 4,353 | 933 |
| Net decrease in cash and cash equivalents | (18,756) | 881 |
| Cash and cash equivalents at beginning of year | 476,142 | 21,979 |
| Cash and cash equivalents at end of year | \$ 457,386 | 22,860 |
| Reconciliation of operating loss to net cash used by operating activities: | | |
| Operating gain (loss) | \$ (391,027) | (52) |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: | | |
| Commodities used | 69,997 | - |
| Depreciation | 63,828 | - |
| Decrease in accounts receivable | 2,498 | - |
| (Increase) in inventories | (8,398) | - |
| Increase in salaries and benefits payable | 5,725 | - |
| Increase in advances from prepaid lunches | 30,554 | - |
| (Decrease) in net pension liability | (682) | - |
| Decrease in deferred outflows of resources | 26,726 | - |
| (Decrease) in deferred inflows of resources | (9,761) | - |
| Increase in other postemployment benefits | 6,877 | - |
| Net cash provided (used) by operating activities | \$ (203,663) | (52) |
| Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet: | | |
| Current assets: | | |
| Cash | \$ 457,386 | 22,860 |
| Cash and cash equivalents at year end | \$ 457,386 | 22,860 |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$69,997 of federal commodities.

See notes to financial statements.

North Polk Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

| | <div>Private Purpose Trust Scholarship</div> |
|---|--|
| Assets | |
| Cash, cash equivalents and pooled investments | <div>\$5,032</div> |
| Total assets | <div>\$5,032</div> |
| Net position | |
| Reserved for scholarships | <div>\$5,032</div> |
| Total net position | <div>\$5,032</div> |

See notes to financial statements.

North Polk Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2020

| | Private Purpose Trust Scholarship |
|--------------------------------|---|
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 1,553 |
| Interest on investments | 624 |
| Total additions | <u>2,177</u> |
| Deductions: | |
| Instruction: | |
| Regular: | |
| Scholarships awarded | <u>1,000</u> |
| | <u>1,000</u> |
| Change in net position | 1,177 |
| Net position beginning of year | <u>3,855</u> |
| Net position end of year | <u>\$ 5,032</u> |

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

North Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of Alleman, Elkhart, Polk City and Sheldahl, Iowa and the predominate agricultural territory in Boone, Polk, and Story counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Polk Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The North Polk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

The District reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. Proprietary funds also include the Internal Service, Employee Flex Benefits Fund which accounts for the District's flexible benefits program.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to

pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2019.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2019 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the governmental-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ 5,000 |
| Buildings | 5,000 |
| Improvements other than buildings | 5,000 |
| Furniture and equipment | 5,000 |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 50 |
| Improvements other than buildings | 20-50 |
| Furniture and equipment | 5-15 |

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public

Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the North Polk Community School District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2018 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property and income tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consists of the succeeding year's property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures area.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$3,581 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|---------------------------------------|---------------------|
| Debt Service | Statewide Sales, Services and Use Tax | \$ 8,246,531 |
| Debt Service | PPEL | 461,000 |
| Total | | <u>\$ 8,707,531</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|------------------------------|-----------|-----------|------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 932,370 | - | - | 932,370 |
| Construction in progress | 8,212,163 | 35,800 | 8,247,963 | - |
| Total capital assets not being depreciated | 7,689,897 | 35,800 | 8,247,963 | 932,370 |
| Capital assets being depreciated: | | | | |
| Buildings | 40,599,540 | 8,032,573 | - | 48,632,113 |
| Improvements other than buildings | 4,925,648 | 33,200 | - | 4,958,848 |
| Furniture and equipment | 5,807,445 | 130,980 | 1,314,212 | 4,624,213 |
| Total capital assets being depreciated | 51,075,670 | 8,196,753 | 1,314,212 | 58,215,174 |
| Less accumulated depreciation for: | | | | |
| Buildings | 10,340,726 | 1,304,989 | - | 11,645,715 |
| Improvements other than buildings | 964,362 | 245,549 | - | 1,209,911 |
| Furniture and equipment | 4,835,151 | 408,042 | 1,314,212 | 3,928,981 |
| Total accumulated depreciation | 14,586,130 | 1,958,580 | 1,314,212 | 16,784,607 |
| Total capital assets being depreciated, net | 33,895,248 | 6,238,173 | - | 41,430,567 |
| Governmental activities capital assets, net | \$ 44,336,927 | 6,273,973 | 8,247,963 | 42,362,937 |
| Business type activities: | | | | |
| Furniture and equipment | \$ 652,171 | 198,257 | - | 850,428 |
| Less accumulated depreciation | 327,640 | 63,828 | - | 391,468 |
| Business type activities capital assets, net | \$ 324,531 | 134,429 | - | 458,960 |

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

| | |
|---------|-----------|
| Regular | \$ 17,744 |
| Special | - |
| Other | 2,262 |

Support services:

| | |
|------------------------------------|-----------|
| Student services | - |
| Instructional staff | 17,894 |
| Operation and maintenance of plant | 37,969 |
| Transportation | 76,426 |
| Unallocated | 1,806,285 |

Total governmental activities depreciation expense

\$ 1,958,580

Business type activities:

| | |
|---------------|------------------|
| Food services | <u>\$ 63,828</u> |
|---------------|------------------|

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|---------------------------|---------------------------------|------------|------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 15,325,000 | 4,980,000 | 8,185,000 | 12,120,000 | 1,055,000 |
| Revenue bonds | 7,370,000 | 5,815,000 | 7,980,000 | 5,205,000 | 495,000 |
| Notes payable | 1,220,000 | - | 400,000 | 820,000 | 405,000 |
| Bond premiums | - | 1,565,716 | 164,148 | 1,401,568 | 164,147 |
| Bond discounts | - | (71,648) | (7,504) | (64,144) | (7,504) |
| Early retirement | 286,813 | 160,564 | 286,813 | 160,564 | 30,823 |
| Net pension liability | 8,279,808 | - | 20,217 | 8,259,591 | - |
| Net OPEB liability | 294,712 | 440,107 | - | 734,819 | - |
| Total | \$ 32,776,333 | 12,889,739 | 17,028,674 | 28,637,398 | 2,142,466 |
| Business type activities: | | | | | |
| Net pension liability | \$ 264,598 | - | 682 | 263,916 | - |
| Net OPEB liability | 2,822 | 6,877 | - | 9,699 | - |
| Total | \$ 267,420 | 6,877 | 682 | 273,615 | - |

Early Retirement

The District offered a voluntary early retirement plan to licensed employees for the three years beginning June 30, 2020 through June 30, 2022. Eligible employees must have completed a minimum of ten years of continuous service to the District and must have reached the age of fifty-five at the actual retirement date. The application for early retirement was subject to approval by the Board of Education.

The early retirement benefit consists of a retirement account contribution equal to the employee's total salary at the time of retirement. The amount will be paid in two equal increments in July and January of the fiscal year following retirement.

Prior years early retirement benefits consisted of various cash benefits and, for the most employees, health insurance coverage until the retiree becomes Medicare eligible.

Further details of those plans are available upon request of the District management.

At June 30, 2020, the District had obligations to seven participants with total liability of \$160,564. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$286,813. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

On March 3, 2020, the District issued \$4,980,000 of general obligation bonds to pay costs associated with refunding current indebtedness. The bonds bear interest at rates ranging from 3.00% to 5.00% per annum. During the year ended June 30, 2020, no principal or interest payments were made.

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|--------------|-----------|-----------|
| 2021 | 5.00% | 245,000 | 266,187 | 511,187 |
| 2022 | 5.00% | 305,000 | 201,650 | 506,650 |
| 2023 | 5.00% | 325,000 | 186,400 | 511,400 |
| 2024 | 5.00% | 335,000 | 170,150 | 505,150 |
| 2025 | 5.00% | 355,000 | 153,400 | 508,400 |
| 2026 | 5.00% | 375,000 | 135,650 | 510,650 |
| 2027 | 5.00% | 390,000 | 116,900 | 506,900 |
| 2028 | 5.00% | 895,000 | 97,400 | 992,400 |
| 2029 | 3.00% | 945,000 | 52,650 | 997,650 |
| 2030 | 3.00% | 810,000 | 24,300 | 834,300 |
| Total | | \$ 4,980,000 | 1,404,687 | 6,384,687 |

On January 1, 2013, the District issued \$6,100,000 of general obligation bonds to pay costs associated with school facility improvements. The bonds bear interest at rates ranging from 1.00% to 2.00% per annum. During the year ended June 30, 2020, principal and interest payments of \$405,000 and \$56,855 were made, respectively.

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|--------------|----------|-----------|
| 2021 | 1.35% | 405,000 | 51,995 | 456,995 |
| 2022 | 1.50% | 415,000 | 46,528 | 461,528 |
| 2023 | 1.65% | 420,000 | 40,302 | 460,302 |
| 2024 | 1.75% | 430,000 | 33,373 | 463,373 |
| 2025 | 1.85% | 435,000 | 25,847 | 460,847 |
| 2026 | 2.00% | 440,000 | 17,800 | 457,800 |
| 2027 | 2.00% | 450,000 | 9,000 | 459,000 |
| Total | | \$ 2,995,000 | 224,845 | 3,219,845 |

On June 1, 2017, the District issued \$5,200,000 of general obligation bonds to pay costs associated with school facility improvements. The bonds bear interest at rates ranging from 3.00% to 3.25% per annum. During the year ended June 30, 2020, principal and interest payments of \$360,000 and \$136,663 were made, respectively.

| Bond Issue of June 1, 2017 | | | | |
|----------------------------|-------------------|--------------|-----------|-----------|
| Year ending June 30, | Interest Rates | Principal | Interest | Total |
| 2021 | 3.00% | 405,000 | 125,862 | 530,862 |
| 2022 | 3.00% | 205,000 | 113,713 | 318,713 |
| 2023 | 3.00% | 210,000 | 107,562 | 317,562 |
| 2024 | 3.00% | 220,000 | 101,263 | 321,263 |
| 2025 | 3.00% | 220,000 | 94,662 | 314,662 |
| 2026 | 3.00% | 230,000 | 88,063 | 318,063 |
| 2027 | 3.00% | 230,000 | 81,162 | 311,162 |
| 2028 | 3.00% | 235,000 | 74,263 | 309,263 |
| 2029 | 3.00% | 245,000 | 67,212 | 312,212 |
| 2030 | 3.00% | 250,000 | 59,863 | 309,863 |
| 2031 | 3.00% | 260,000 | 52,362 | 312,362 |
| 2032 | 3.00% | 270,000 | 44,563 | 314,563 |
| 2033 | 3.00% | 275,000 | 36,462 | 311,462 |
| 2034 | 3.00% | 285,000 | 28,213 | 313,213 |
| 2035 | 3.25% | 295,000 | 19,662 | 314,662 |
| 2036 | 3.25% | 310,000 | 10,075 | 320,075 |
| Total | | \$ 4,145,000 | 1,104,962 | 5,249,962 |

North Polk Community School District
Notes to Financial Statements
June 30, 2020

| Total | | | | |
|-------------------------|-------------------|---------------|-----------|------------|
| Year ending June 30, | Interest Rates | Principal | Interest | Total |
| 2021 | | 1,055,000 | 444,044 | 1,499,044 |
| 2022 | | 925,000 | 361,891 | 1,286,891 |
| 2023 | | 955,000 | 334,264 | 1,289,264 |
| 2024 | | 985,000 | 304,786 | 1,289,786 |
| 2025 | | 1,010,000 | 273,909 | 1,283,909 |
| 2026 | | 1,045,000 | 241,513 | 1,286,513 |
| 2027 | | 1,070,000 | 207,062 | 1,277,062 |
| 2028 | | 1,130,000 | 171,663 | 1,301,663 |
| 2029 | | 1,190,000 | 119,862 | 1,309,862 |
| 2030 | | 1,060,000 | 84,163 | 1,144,163 |
| 2031 | | 260,000 | 52,362 | 312,362 |
| 2032 | | 270,000 | 44,563 | 314,563 |
| 2033 | | 275,000 | 36,462 | 311,462 |
| 2034 | | 285,000 | 28,213 | 313,213 |
| 2035 | | 295,000 | 19,662 | 314,662 |
| 2036 | | 310,000 | 10,075 | 320,075 |
| Total | | \$ 12,120,000 | 2,734,494 | 14,854,494 |

Revenue Bonds

Details of the Districts' June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Bond Issue of March 2020 | | | | |
|--------------------------|-------------------|--------------|-----------|-----------|
| Year ending June 30, | Interest Rates | Principal | Interest | Total |
| 2021 | 4.00% | 495,000 | 208,200 | 703,200 |
| 2022 | 4.00% | 515,000 | 188,400 | 703,400 |
| 2023 | 4.00% | 535,000 | 167,800 | 702,800 |
| 2024 | 4.00% | 550,000 | 146,400 | 696,400 |
| 2025 | 4.00% | 575,000 | 124,400 | 699,400 |
| 2026 | 4.00% | 595,000 | 101,400 | 696,400 |
| 2027 | 4.00% | 620,000 | 77,600 | 697,600 |
| 2028 | 4.00% | 645,000 | 52,800 | 697,800 |
| 2029 | 4.00% | 675,000 | 27,000 | 702,000 |
| Total | | \$ 5,205,000 | 1,094,000 | 6,299,000 |

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in March 2020. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$6,299,000. For fiscal year ending June 30, 2020, \$666,858 principal and interest was paid on the bonds and total statewide sale, services and use tax revenues were \$1,788,988.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) Bonds maturing after June 1, 2028 may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.

- b) \$351,700 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Escrow Fund.
- c) All proceeds from the statewide sale, services and use tax shall be placed in a Revenue Fund.
- d) Monies in the Reserve Fund shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- e) Any monies remaining in the Reserve Fund after the required transfer to the Sinking Fund and Reserve Fund, as necessary, may be transferred to the Capital Projects Fund – Sales Tax and used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2020.

General Obligation Loan Notes Payable

On June 28, 2017, the District issued \$2,000,000 of general obligation capital loan notes to finance renovations and improvements for the elementary and middle school buildings. The notes bear interest rates of 5.00% per annum. During the year ended June 30, 2020, principal and interest payments of \$400,000 and \$61,000 were made respectively.

Details of the District's June 30, 2020 general obligation capital loan note indebtedness are as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|------------|----------|---------|
| 2021 | 5.00% | 405,000 | 41,000 | 446,000 |
| 2022 | 5.00% | 415,000 | 20,750 | 435,750 |
| Total | | \$ 820,000 | 61,750 | 881,750 |

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 % for each month that the member receives benefits before the

member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$1,872,184.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$8,523,507 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.146212%, which was an increase of 0.011149% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,567,910. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 23,630 | 306,461 |
| Changes of assumptions | 912,990 | - |
| Net difference between projected and actual earnings on IPERS' investments | - | 960,495 |
| Changes in proportion and differences between District contributions and the District's proportionate share of contributions | 1,117,641 | 278,956 |
| District contributions subsequent to the measurement date | 1,154,403 | - |
| Total | <u>\$ 3,208,664</u> | <u>1,545,912</u> |

\$1,154,403 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June, 30 | |
|------------------------|-------------------|
| 2021 | \$ 346,622 |
| 2022 | 54,544 |
| 2023 | 83,972 |
| 2024 | (17,156) |
| 2025 | 40,367 |
| Total | <u>\$ 508,349</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Rate of Inflation (effective June 30, 2017) | 2.60% per annum. |
| Rates of salary increase (effective June 30, 2017) | 3.25 to 16.25% average, including inflation Rates vary by membership group |
| Long-term investment rate of return (effective June 30, 2017) | 7.00% compounded annually, net of investment expense, including inflation |
| Wage growth (effective June 30, 2017) | 3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| Domestic equity | 22.0% | 5.60% |
| International equity | 15.0 | 6.08 |
| Global smart beta equity | 3.0 | 5.82 |
| Core plus fixed income | 27.0 | 1.71 |
| Public credit | 3.5 | 3.32 |
| Public real assets | 7.0 | 2.81 |
| Cash | 1.0 | (0.21) |
| Private equity | 11.0 | 10.13 |
| Private real assets | 7.5 | 4.76 |
| Private credit | 3.0 | 3.01 |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease (6.0%) | Discount Rate (7.0%) | 1% Increase (8.0%) |
|---|--------------------------|----------------------------|--------------------------|
| District's proportionate share of the net pension liability | \$ 15,134,990 | 8,523,507 | 2,977,860 |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District reported no amounts payable to IPERS for legally required District contributions or for legally required employee contributions withheld from employee wages.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits for employees are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

OPEB Benefits - Individuals who are employed by North Polk Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 6 |
| Active employees | 204 |
| | <u>210</u> |

Total OPEB Liability - the District's total OPEB liability of \$744,518 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

| | |
|---|---|
| Rate of Inflation (effective June 30, 2020) | 3.50% per annum. |
| Rates of salary increase (effective June 30, 2020) | 3.00% per annum including inflation |
| Discount rate (effective June 30, 2020) | 3.50% compounded annually, including inflation |
| Healthcare cost trend rate (effective June 30, 2020) | 6.50% initial rate decreasing by 0.25% annually to an ultimate rate of 5.00% |

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

| | |
|---|------------|
| Total OPEB liability beginning of year | \$ 297,534 |
| Changes for the year | |
| Service cost | 49,617 |
| Interest | 25,780 |
| Differences between expected and actual differences | (13,747) |
| Changes in assumptions | 421,025 |
| Recognition of deferred inflows/outflows | - |
| Benefit payments | (35,691) |
| Net changes | 446,984 |
| Total OPEB liability end of year | \$ 744,518 |

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current discount rate.

| | 1% Decrease (2.50%) | Discount Rate (3.50%) | 1% Increase (4.50%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 805,958 | 744,518 | 688,057 |

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

| | 1% Decrease (4.00%) | Healthcare Cost Trend Rate (5.00%) | 1% Increase (6.00%) |
|----------------------|---------------------------|---|---------------------------|
| Total OPEB liability | \$ 668,686 | 744,518 | 834,973 |

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$73,301. At June 30, 2020, the District reported deferred inflows and outflows of resources related to OPEB from the following resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | (27,637) |
| Changes in assumptions | 385,040 | - |
| Total | <u>\$ 385,040</u> | <u>(27,637)</u> |

| Year ending June 30, | Amount |
|-------------------------|-------------------|
| 2021 | \$ 33,595 |
| 2022 | \$ 33,595 |
| 2023 | \$ 33,595 |
| 2024 | \$ 33,595 |
| 2025 | \$ 33,595 |
| Thereafter | 189,428 |
| | <u>\$ 357,403</u> |

(8) Operating Lease

The District has entered into two copier equipment leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Position. The Agreements provided for monthly lease payments of \$4,443.63 for 48 months.

Total lease payments under the lease agreements are as follows:

| Year Ending June 30, | Amount |
|-------------------------|------------------|
| 2021 | 7,132 |
| 2022 | 7,132 |
| 2023 | 7,132 |
| | <u>\$ 21,396</u> |

Total payments under the lease agreements for the year ended June 30, 2020 were \$53,324.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$755,452 for the year ended June 30, 2020, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Johnston offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

| Entity | Tax Abatement Program | Amount of Tax Abated |
|-------------------|---|----------------------|
| City of Polk City | Urban renewal and economic development projects | \$ 110,167 |
| Polk County | Urban renewal and economic development projects | 87,310 |

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$89,424.

(14) Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2020 is comprised of the following programs:

| Program | Amount |
|---|-------------------|
| Home school assistance program | \$ 16,431 |
| Gifted and talented program | 26,366 |
| Returning dropouts and dropout prevention program | 25,215 |
| Teacher leadership state aid | 117,785 |
| Four year old preschool state aid | 116,683 |
| Teacher salary supplement | 2,914 |
| Professional development | 91,713 |
| Total | <u>\$ 397,107</u> |

(15) Subsequent Events

The District's approved the issuance of General Obligation bonds in the amount of \$15,000,000 on August 20, 2020.

Required Supplementary Information

North Polk Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2020

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance- Positive (Negative) |
|---|---------------------------------|-------------------------------|--------------|------------------|--------------|--|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 10,428,897 | 572,411 | 11,001,308 | 11,305,457 | 11,305,457 | (304,149) |
| Intermediate sources | 7,457 | - | 7,457 | 6,931 | 6,931 | 526 |
| State sources | 13,484,648 | 7,088 | 13,491,736 | 13,177,993 | 13,177,993 | 313,743 |
| Federal sources | 258,311 | 255,353 | 513,664 | 513,856 | 513,856 | (192) |
| Total revenues | 24,179,313 | 834,852 | 25,014,165 | 25,004,237 | 25,004,237 | 9,928 |
| Expenditures/Expenses: | | | | | | |
| Instruction | 12,989,768 | - | 12,989,768 | 12,577,370 | 14,000,000 | 1,010,232 |
| Support services | 7,455,638 | - | 7,455,638 | 6,636,298 | 8,500,000 | 1,044,362 |
| Non-instructional programs | - | 959,085 | 959,085 | 868,813 | 995,208 | 36,123 |
| Other expenditures | 18,698,793 | - | 18,698,793 | 4,673,222 | 18,000,000 | (698,793) |
| Total expenditures | 39,144,199 | 959,085 | 40,103,284 | 24,755,703 | 41,495,208 | 1,391,924 |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (14,964,886) | (124,233) | (15,089,119) | 248,534 | (16,490,971) | 1,401,852 |
| Other financing sources, net | 12,289,068 | 186,367 | 12,475,435 | 21,053 | (510,591) | 12,986,026 |
| Change in fund balance | (2,675,818) | 62,134 | (2,613,684) | 269,587 | (17,001,562) | 14,387,878 |
| Balances beginning of year | 10,937,553 | 598,250 | 11,535,803 | 13,080,453 | 11,844,565 | (308,762) |
| Balances end of year | \$ 8,261,735 | 660,384 | 8,922,119 | 13,350,040 | (5,156,997) | 14,079,116 |

See accompanying independent auditor's report.

North Polk Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$16,739,505.

During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures area.

North Polk Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For the Last Six Years* (In Thousands)
Required Supplementary Information

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| District's proportion of the net pension liability | 0.146212% | 0.135063% | 0.128791% | 0.113099% | 0.136588% | 0.120757% |
| District's proportion of the net pension pension liability | \$ 8,524 | 8,544 | 8,502 | 7,118 | 6,748 | 4,789 |
| District's covered-employee payroll | \$ 11,202 | 10,148 | 9,528 | 8,116 | 9,317 | 7,902 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 76.09% | 84.19% | 89.23% | 87.70% | 72.43% | 60.60% |
| IPERS' net position as a percentage of the total pension liability | 85.45% | 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

North Polk Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years (In Thousands)
Required Supplementary Information

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-----------|-----------|--------|-------|-------|-------|-------|-------|-------|-------|
| Statutorily required contribution | \$ 1,155 | 1,057 | 906 | 851 | 725 | 832 | 706 | 639 | 577 | 477 |
| Contributions in relation to the statutorily required contribution | (1,155) | (1,057) | (906) | (851) | (725) | (832) | (706) | (639) | (577) | (477) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | \$ 12,231 | \$ 11,202 | 10,148 | 9,528 | 8,116 | 9,317 | 7,902 | 7,374 | 7,169 | 6,867 |
| Contributions as a percentage of covered-employee payroll | 9.44% | 9.44% | 8.93% | 8.93% | 8.93% | 8.93% | 8.93% | 8.67% | 8.05% | 6.95% |

See accompanying independent auditor's report.

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**North Polk Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes
For the Last Three Years
Required Supplementary Information**

| | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|----------------|
| Service cost | \$ 49,617 | 26,690 | 26,690 |
| Interest cost | 25,780 | 11,016 | 10,614 |
| Difference between expected and actual experiences | (13,747) | - | - |
| Changes in assumptions | 421,025 | - | (9,896) |
| Recognition of deferred inflows/outflows | - | (8,328) | - |
| Benefit payments | (35,691) | (5,591) | (25,073) |
| Net change in total OPEB liability | 446,984 | 23,787 | 2,335 |
| Total OPEB liability beginning of year | 297,534 | 273,747 | 271,412 |
| Total OPEB liability end of year | <u>\$ 744,518</u> | <u>\$ 297,534</u> | <u>273,747</u> |
| Covered-employee payroll | \$ 10,036,553 | \$ 10,236,766 | 10,236,766 |
| Total OPEB liability as a percentage of covered-employee payroll | 7.42% | 2.91% | 2.67% |

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

| | |
|--------------------------|-------|
| Year ended June 30, 2020 | 3.50% |
| Year ended June 30, 2019 | 3.72% |
| Year ended June 30, 2018 | 3.72% |
| Year ended June 30, 2017 | 7.50% |

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

North Polk Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

| | Special Revenue | | |
|---|---------------------|------------------|------------------|
| | Management Levy | Student Activity | Total |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 1,873,801 | 184,590 | 2,058,391 |
| Receivables: | | | |
| Accounts | - | 14,280 | 14,280 |
| Property tax: | | | |
| Delinquent | 4,656 | - | 4,656 |
| Succeeding year | 627,821 | - | 627,821 |
| Total assets | \$ 2,506,278 | 198,870 | 2,705,148 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | 2,116 | 2,116 |
| Total liabilities | - | 2,116 | 2,116 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 627,821 | - | 627,821 |
| Total deferred inflows of resources | 627,821 | - | 627,821 |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | 1,878,457 | - | 1,878,457 |
| Student activities | - | 196,754 | 196,754 |
| Total fund balances | 1,878,457 | 196,754 | 2,075,211 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,506,278 | 198,870 | 2,705,148 |

See accompanying independent auditor's report.

Schedule 2

North Polk Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2020

| | Special Revenue | | |
|------------------------------------|--------------------|---------------------|-----------|
| | Management Levy | Student Activity | Total |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ 736,319 | - | 736,319 |
| Other | 3,884 | 337,502 | 341,386 |
| State sources | - | - | - |
| Total revenues | 740,203 | 337,502 | 1,077,705 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 263,276 | - | 263,276 |
| Other | - | 307,304 | 307,304 |
| Support Services: | | | |
| Instructional staff | - | 3,402 | 3,402 |
| Administration | 112,716 | 10,859 | 123,575 |
| Operation and maintenance of plant | 259,032 | 5,789 | 264,821 |
| Transportation | 25,952 | - | 25,952 |
| Other expenditures: | | | |
| Debt service | 3,199 | - | 3,199 |
| Total expenditures | 664,175 | 327,354 | 991,529 |
| Change in fund balance | 76,028 | 10,148 | 86,176 |
| Fund balances beginning of year | 1,802,429 | 186,606 | 1,989,035 |
| Fund balances end of year | \$ 1,878,457 | 196,754 | 2,075,211 |

See accompanying independent auditor's report.

Schedule 3

North Polk Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2020

| Account | Balance Beginning of Year | Revenues | Expenditures | Transfers | Balance End of Year |
|------------------------------------|---------------------------------|----------|--------------|-----------|---------------------------|
| All Sports | \$ 8,023 | 34,886 | 39,029 | - | 3,880 |
| Weight Lifting | 2,023 | 126 | 1,295 | - | 854 |
| Cross Country | - | 6,903 | 6,903 | - | - |
| Cheerleading | 152 | 11,471 | 6,351 | - | 5,272 |
| Boy's Tennis | 1,155 | 504 | 351 | - | 1,308 |
| Co-Ed Golf | - | 1,001 | 731 | - | 270 |
| Boy's Basketball | 6,793 | 14,066 | 20,536 | - | 323 |
| Football | - | 32,104 | 23,357 | - | 8,747 |
| Soccer | 1,519 | 4,246 | 2,327 | - | 3,438 |
| Baseball | - | 20,402 | 20,402 | - | - |
| Boy's Track | 3,503 | 7,401 | 7,233 | - | 3,671 |
| Wrestling | 15,408 | 12,888 | 10,814 | - | 17,482 |
| Girl's Basketball | - | 23,271 | 18,900 | - | 4,371 |
| Volleyball | 2,485 | 12,327 | 14,622 | - | 190 |
| Girl's Soccer | 2,186 | 111 | 1,780 | - | 517 |
| Girl's Tennis | 3,957 | 1,442 | 1,569 | - | 3,830 |
| Softball | 517 | 9,249 | 8,101 | - | 1,665 |
| Girl's Track | 9,308 | 3,904 | 8,416 | - | 4,796 |
| Camp Hantesa | 3,158 | 2,279 | - | - | 5,437 |
| HS Yearbook | 23,802 | 6,497 | 11,730 | - | 18,569 |
| Elementary Yearbook | 8,955 | 249 | 599 | - | 8,605 |
| National Honor Society | 817 | - | 581 | - | 236 |
| Student Council | 4,168 | 5,500 | 2,903 | - | 6,765 |
| Student Council - Character Counts | 1,395 | - | - | - | 1,395 |
| MS Student Council | 10,182 | 5,446 | 4,072 | - | 11,556 |
| Food 3 | 606 | 1,456 | 1,819 | - | 243 |
| Drama | 3,481 | 6,841 | 3,201 | - | 7,121 |
| HS Vocal Music | 796 | - | - | - | 796 |
| HS Instrumental Music | - | 675 | 675 | - | - |
| Speech | 2,888 | 1,208 | 150 | - | 3,946 |
| HS Dance | 1,548 | 3,759 | 1,632 | - | 3,675 |
| Flags | 917 | 652 | 1,202 | - | 367 |
| FFA - Fruit Sales | 16,492 | 38,119 | 36,306 | - | 18,305 |
| Shop | - | 275 | 275 | - | - |
| Horticulture | 4,341 | - | - | - | 4,341 |
| National Art Honor Society | 195 | - | 48 | - | 147 |

Schedule 3

North Polk Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2020

| Account | Balance Beginning of Year | Revenues | Expenditures | Transfers | Balance End of Year |
|-------------------|---------------------------------|----------|--------------|-----------|---------------------------|
| Class of 2011 | 2,024 | - | - | - | 2,024 |
| Class of 2012 | 7,918 | - | - | - | 7,918 |
| Class of 2019 | 10,983 | - | 250 | (10,733) | - |
| Class of 2020 | 1,781 | 7,152 | 10,034 | 10,733 | 9,632 |
| Class of 2021 | 2,913 | 585 | 186 | - | 3,312 |
| Class of 2022 | 1,948 | 525 | - | - | 2,473 |
| Class of 2023 | 2,444 | 607 | - | - | 3,051 |
| Class of 2024 | 1,285 | 633 | - | - | 1,918 |
| Class of 2025 | 710 | 714 | - | - | 1,424 |
| Class of 2026 | - | 640 | - | - | 640 |
| Concessions | 11,586 | 50,461 | 54,075 | - | 7,972 |
| West Running Club | 1,476 | 5,070 | 2,768 | - | 3,778 |
| MS Yearbook | 768 | 923 | 1,691 | - | - |
| Interest | - | 137 | 137 | - | - |
| MS FCCLA | - | 797 | 303 | - | 494 |
| Totals | \$ 186,606 | 337,502 | 327,354 | - | 196,754 |

North Polk Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2020

| | Capital Projects | | | |
|---|--|---------------------------|--------------------------------------|------------------|
| | Statewide Sales, Services and Use Tax | Other Capital Projects | Physical Plant and Equipment Levy | Total |
| Assets | | | | |
| Cash, cash equivalents and pooled investments | \$ 2,592,455 | 991 | 145,255 | 2,738,701 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 4,955 | 4,955 |
| Succeeding year | - | - | 875,466 | 875,466 |
| Due from other governments | 150,802 | - | - | 150,802 |
| Prepays | 11,250 | - | - | 11,250 |
| Total assets | \$ 2,754,507 | 991 | 1,025,676 | 3,781,174 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 98,550 | - | - | 98,550 |
| Total liabilities | 98,550 | - | - | 98,550 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | - | - | 875,466 | 875,466 |
| Total deferred inflows of resources | - | - | 875,466 | 875,466 |
| Fund balances: | | | | |
| Nonspendable for: | | | | |
| Prepays | 11,250 | - | - | 11,250 |
| Restricted for: | | | | |
| Debt service | 351,700 | - | - | 351,700 |
| School infrastructure | 2,293,007 | 991 | - | 2,293,998 |
| Physical plant and equipment | - | - | 150,210 | 150,210 |
| Total fund balances | 2,655,957 | 991 | 150,210 | 2,807,158 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,754,507 | 991 | 1,025,676 | 3,781,174 |

See accompanying independent auditor's report.

Schedule 5

North Polk Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund Accounts
Year ended June 30, 2020

| | Capital Projects | | | Total |
|---|---|---------------------------|---|-------------|
| | Statewide Sales, Services and Use Tax | Other Capital Projects | Physical Plant and Equipment Levy | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ - | - | 808,578 | 808,578 |
| Other | 64,919 | 660 | 6,220 | 71,799 |
| State sources | 1,788,988 | - | - | 1,788,988 |
| Total revenues | 1,853,907 | 660 | 814,798 | 2,669,365 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | - | - | 15,197 | 15,197 |
| Support services: | | | | |
| Instructional staff | 238,608 | - | 132,890 | 371,498 |
| Administration | 70,604 | 48 | 56,595 | 127,247 |
| Operation and maintenance of plant | 20,199 | - | 60,456 | 80,655 |
| Student transportation | - | - | 115,281 | 115,281 |
| Other expenditures: | | | | |
| Facilities acquisition | 489,985 | 4,948 | 44,532 | 539,465 |
| Total expenditures | 819,396 | 4,996 | 424,951 | 1,249,343 |
| Excess (deficiency) of revenues over (under) expenditures | 1,034,511 | (4,336) | 389,847 | 1,420,022 |
| Other financing sources (uses) | | | | |
| Debt issued | 5,815,000 | - | - | 5,815,000 |
| Premiums on issuance of debt | 681,862 | - | - | 681,862 |
| Discounts on issuance of debt | (30,529) | - | - | (30,529) |
| Transfers in (out) | (8,246,531) | - | (461,000) | (8,707,531) |
| Total other financing sources (uses) | (1,780,198) | - | (461,000) | (2,241,198) |
| Change in fund balances | (745,687) | (4,336) | (71,153) | (821,176) |
| Fund balances beginning of year | 3,401,644 | 5,327 | 221,363 | 3,628,334 |
| Fund balances end of year | \$ 2,655,957 | 991 | 150,210 | 2,807,158 |

See accompanying independent auditor's report.

North Polk Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

| | Modified Accrual Basis | | | | | | | | | |
|------------------------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 8,811,042 | 8,289,481 | 7,927,540 | 7,466,747 | 7,130,818 | 6,300,767 | 6,255,038 | 7,081,562 | 6,891,670 | 6,134,612 |
| Tuition | 825,863 | 736,556 | 717,497 | 717,223 | 695,527 | 508,986 | 484,725 | 481,569 | 402,825 | 384,328 |
| Other | 791,992 | 1,006,079 | 1,026,883 | 919,458 | 781,118 | 807,312 | 1,431,915 | 869,240 | 860,697 | 648,902 |
| Intermediate sources | 7,457 | 7,404 | 6,931 | 6,619 | 6,441 | 6,493 | 6,415 | 6,812 | 6,446 | 6,191 |
| State sources | 13,484,648 | 12,704,161 | 11,596,971 | 11,228,029 | 10,769,044 | 10,586,999 | 9,281,191 | 7,293,134 | 6,905,962 | 6,456,463 |
| Federal sources | 258,311 | 312,189 | 268,953 | 339,761 | 221,375 | 255,499 | 387,766 | 391,913 | 581,138 | 537,555 |
| Total | \$ 24,179,313 | 23,055,870 | 21,544,775 | 20,677,837 | 19,604,323 | 18,466,056 | 17,847,050 | 16,124,230 | 15,648,738 | 14,168,051 |
| Expenditures: | | | | | | | | | | |
| Instruction | \$ 12,989,768 | 12,159,279 | 10,996,116 | 10,242,761 | 9,980,948 | 9,491,427 | 8,516,881 | 8,251,584 | 7,708,646 | 7,556,683 |
| Support services: | | | | | | | | | | |
| Student | 651,746 | 619,907 | 600,869 | 580,076 | 493,076 | 443,899 | 471,076 | 462,852 | 454,272 | 420,799 |
| Instructional staff | 1,071,004 | 1,078,284 | 667,654 | 634,376 | 624,355 | 606,502 | 727,294 | 1,016,119 | 588,895 | 501,029 |
| Administration | 2,498,342 | 1,940,003 | 1,879,914 | 1,618,721 | 1,422,997 | 1,406,107 | 1,295,624 | 1,307,063 | 1,202,040 | 1,181,327 |
| Operation and maintenance of plant | 2,228,946 | 2,101,130 | 2,010,423 | 1,906,779 | 1,880,816 | 1,738,131 | 3,345,982 | 1,652,070 | 1,200,207 | 1,122,173 |
| Transportation | 1,005,600 | 927,552 | 886,774 | 830,266 | 791,051 | 846,353 | 841,163 | 685,002 | 743,973 | 631,611 |
| Non-instructional programs | - | - | - | - | 12,217 | - | 18,803 | 13,383 | 17,906 | 15,552 |
| Other expenditures: | | | | | | | | | | |
| Facilities acquisition | 539,465 | 2,242,867 | 6,169,682 | 1,480,559 | 1,817,797 | 385,056 | 3,767,166 | 17,371,359 | 6,454,172 | 286,396 |
| Long-term debt: | | | | | | | | | | |
| Principal | 16,565,000 | 2,035,000 | 1,980,000 | 1,230,000 | 1,210,000 | 1,490,000 | 810,000 | 939,591 | 1,218,766 | 566,009 |
| Interest and other charges | 838,876 | 813,969 | 809,764 | 687,983 | 598,423 | 615,910 | 645,598 | 656,751 | 685,344 | 71,458 |
| AEA flowthrough | 755,452 | 713,968 | 655,744 | 619,294 | 593,908 | 563,491 | 516,116 | 471,552 | 451,679 | 473,163 |
| Total | \$ 39,144,199 | 24,631,959 | 26,656,940 | 19,830,815 | 19,425,588 | 17,586,876 | 20,955,703 | 32,827,326 | 20,725,900 | 12,826,200 |

See accompanying independent auditor's report.

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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of North Polk Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Polk Community School District, Alleman, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Polk Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Polk Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Polk Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Polk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Polk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 1, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2020 exceeded the amended certified budget amounts in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

4. Business Transactions – No business transactions between the District and District officials or employees were noted.

5. Restricted Donor Activity – No transactions were noted between the District, District officials, District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

7. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

8. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

9. Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Recommendation - The supplementary weighting data should be corrected.

Response – The Iowa Department of Education and the Iowa Department of Management will be notified of the error.

Conclusion – Response accepted.

10. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

11. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

North Polk Community School District
Schedule of Findings
Year ended June 30, 2020

12. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
13. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | | |
|------------------------------------|----|-----------|-------------------|
| Beginning balance | | \$ | 3,401,644 |
| Revenues/transfers in: | | | |
| Sales tax revenues | \$ | 1,788,988 | |
| Other local revenues | | 64,919 | |
| Debt issued | | 6,496,862 | 8,350,769 |
| | | | <u>11,752,413</u> |
| Expenditures/transfers out: | | | |
| Support services | | 329,411 | |
| School infrastructure construction | | 489,985 | |
| Other | | 30,529 | |
| Transfers to other funds: | | | |
| Debt service funds | | 8,246,531 | 9,096,456 |
| | | | <u>9,096,456</u> |
| Ending balance | | \$ | <u>2,655,957</u> |

For the year ended June 30, 2020, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Rate of Levy | |
|-------------------|--------------------|----------------------|
| | Reduction Per | |
| | \$1,000 of Taxable | Property Tax Dollars |
| | Valuation | Reduced |
| Debt service levy | \$ 0.54000 | 100,000 |